FIRST NATIONS AND MÉTIS FUND INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2006

2008-05098/

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of **First Nations and Métis Fund Inc**. as at December 31, 2006 and the statements of operations and deficit and cash flows for the period since incorporation on May 9, 2006 to December 31, 2006. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the period since incorporation on May 9, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

March 1, 2007

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF FINANCIAL POSITION

As at December 31

	2006
ASSETS	
Current Assets	
Cash and short-term investments (Note 3)	$ 3,141,280
Interest and accounts receivable	13,692
Long-Term Investment (Note 4)	900,000
	$ 4,054,972
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current Liabilities	
Accounts payable and accrued liabilities	$ 64,181
Due to Crown Investments Corporation of Saskatchewan (Note 5)	4,100,000
	4,164,181
Shareholder's Deficiency	
Share capital (Note 6)	100
Deficit	(109,309)
	(109,209)
	$ 4,054,972

Commitment (Note 7)
(See accompanying notes)

_____, Director

_____, Director

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF OPERATIONS AND DEFICIT

For the period from incorporation May 9, 2006 to December 31, 2006

	2006
REVENUES	
Interest and other revenue	$ 41,728
EXPENSES	
Management fees (Note 8)	133,799
General administrative and other	17,238
	151,037
NET LOSS	(109,309)
DEFICIT, BEGINNING OF PERIOD	-
DEFICIT, END OF PERIOD	$ (109,309)

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

STATEMENT OF CASH FLOWS

For the period from incorporation May 9, 2006 to December 31, 2006

	2006
OPERATING ACTIVITIES	
Net Loss	$ (109,309)
Items not involving cash:	
(Increase) in interest and accounts receivable	(13,692)
Increase in accounts payable and accrued liabilities	64,181
Cash used in operating activities	(58,820)
INVESTING ACTIVITIES	
Purchase of investments	(900,000)
FINANCING ACTIVITIES	
Advances from Crown Investments Corporation of Saskatchewan	4,100,000
Subscription of share capital of cash	100
	4,100,100
NET CHANGE IN CASH DURING PERIOD	3,141,280
CASH POSITION, BEGINNING OF PERIOD	-
CASH POSITION, END OF PERIOD	$ 3,141,280

Cash position consists of cash and short-term investments

(See accompanying notes)

FIRST NATIONS AND MÉTIS FUND INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. Status of the Corporation

First Nations and Métis Fund Inc. (The Corporation) was established on May 9, 2006 under *The Business Corporations Act*. The Corporation is a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the accounts of the Corporation are consolidated in the annual financial statements of CIC.

The Corporation was established to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. Due to the Corporation's ownership structure, it is not subject to provincial or federal income tax.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

a) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results may differ from those estimates and would impact results reported in future periods.

b) Cash and short-term investments

Cash and short-term investments include investments in money market instruments that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are stated at cost which approximates market value.

c) Long-term investments

Long-term investments in bonds, debentures and subordinated debentures are recorded at cost. Long-term investments in shares of private and public companies in which the Corporation does not exercise significant influence are recorded at cost and dividends from these shares are recorded as income when receivable. Other long-term investments are recorded at cost.

Where the Corporation has investments in shares and exercises significant influence the investments are accounted for by the equity method and the Corporation's investment is adjusted for its share of the investee's net earnings or losses and reduced by dividends received or receivable.

Where there has been a decline in the value of a long-term investment that is not considered temporary, the investment is written down to its fair value.

2. Summary of Significant Accounting Policies (continued)

d) Revenue recognition

Revenue from investments held is recorded as income in the period earned. Income from debt investments is recognized as earned and income from equity investments is recognized when receivable.

3. Cash and Short-Term Investments

At December 31, 2006, the Corporation had $3,122,515 invested in short-term money market instruments due March 30, 2007 at an interest rate of 4.3 percent.

4. Long-Term Investments

	2006
Loan receivable from Eagle Vision Mulching Inc.	$ 900,000

On December 29, 2006, the Corporation entered into a Term Loan Agreement with Eagle Vision Mulching Inc. The Term Loan is for a five-year term with an interest rate of 12%, and the interest is calculated and payable monthly. Principal amounts of $25,000 are required to be repaid on a monthly basis immediately following the last advance of funds. There is an annual bonus interest payable based on Eagle Vision Mulching Inc.'s after tax net profits.

5. Due to Crown Investments Corporation of Saskatchewan

Order in Council #365/2006 authorized the Corporation to obtain funds not to exceed $20,000,000 from Crown Investments Corporation of Saskatchewan. Amounts due to Crown Investments Corporation of Saskatchewan are non-interest bearing and payable on demand. The First Nations and Métis Fund Inc. has determined it is not practical with sufficient reliability to fair value these amounts due to the costs associated with this type of valuation.

6. Share Capital

	2006
Authorized - 100 class A voting shares Issued and outstanding - 100 shares	$ 100

7. Commitment

The Corporation has commited to invest up to $1,500,000 in Eagle Vision Mulching Inc., subject to certain milestones. The Corporation has provided $900,000 of this commitment to December 31, 2006.

8. Management Fees

Under the terms of a management services agreement, expiring in 2020, between Westcap Mgt. Ltd. and the Corporation, Westcap Mgt. Ltd. provides the general management and administration for the business and affairs of the First Nations and Métis Fund Inc. All services provided to the Corporation are charged by a basic monthly fee. The Westcap Mgt. Ltd. management fee is the greater of i) $1/12^{th}$ of 2.5% of the First Nations and Métis Fund net asset value or ii) $15,000 monthly.

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations related to the Corporation by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

CIC provides management services to the Corporation without charge.

10. Financial Instruments

The financial instruments of the First Nations and Métis Fund Inc. include cash and short-term investments, interest and accounts receivable, accounts payable and accrued liabilities that have carrying amounts that approximate fair value due to their short-term maturity.

The First Nations and Métis Fund Inc. has determined it is not practical with sufficient reliability to fair value its other investments due to the costs associated with this type of valuation.

Market Risk

Market risk for the First Nations and Métis Fund Inc. is the risk that the fair value of the investments may change due to the variability of the anticipated earnings generated by the businesses invested in.

Credit Risk

Credit risk is the risk that an investee will fail to perform its obligations. The ability of an investee to meet contractual obligations is affected by changing economic, political or other conditions. The First Nations and Métis Fund Inc. conducts a due diligence process prior to committing to the investment and actively monitors the financial conditions of its investments.

Liquidity Risk

Liquidity Risk is the risk that difficulty will be encountered in liquidating its investments at an amount close to fair value. The First Nations and Métis Fund Inc. intends to hold its investments to enable liquidation at an amount close to fair value.